VZCZCXRO6512
PP RUEHTRO
DE RUEHTU #2036/01 2220801
ZNR UUUUU ZZH
P 100801Z AUG 06
FM AMEMBASSY TUNIS
TO RUEHC/SECSTATE WASHDC PRIORITY 1519
INFO RUEHAD/AMEMBASSY ABU DHABI PRIORITY 0782
RUEHAS/AMEMBASSY ALGIERS PRIORITY 7267
RUEHFR/AMEMBASSY PARIS PRIORITY 1614
RUEHRB/AMEMBASSY RABAT PRIORITY 8196
RUEHTRO/AMEMBASSY TRIPOLI PRIORITY 0372
RUEHCL/AMCONSUL CASABLANCA PRIORITY 3981
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY
RUCPDOC/USDOC WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 TUNIS 002036

SIPDIS

SIPDIS

NEA/MAG FOR MAYA HARRIS, EB/CIP
STATE PASS USTR (BELL), USPTO (ADLIN), USAID (METZGER)
USDOC FOR ITA/MAC/ONE (ROTH), ADVOCACY CTR (JAMES), AND
CLDP (TEJTEL)
CASABLANCA FOR FCS ORTIZ
PARIS FOR NEA WATCHER

E.O. 12958: N/A
TAGS: ECON EFIN ETRD ELAB TS
SUBJECT: TUNISIAN CENTRAL BANK RELEASES 2006 PRELIMINARY
MACROECONOMIC FIGURES

REF: TUNIS 629

¶1. SUMMARY: On July 24, the Tunisian Central Bank released preliminary figures of the country's macroeconomic performance for the first half of 2006 after a meeting of the Bank's Executive Board. The Bank discussed Tunisia's industrial and services output, monetary policy and inflation concerns, and foreign currency reserves level and exchange rate. The figures confirm the findings in the June 2006 IMF Staff Report on Tunisia. END SUMMARY.

¶2. The following are the Tunisian Central Bank's preliminary macroeconomic figures for the first half of 2006.

OUTPUT AND PERFORMANCE OF GOODS AND SERVICES

The general index of production rose by 1.5 percent over the first five months of 2006 (compared to a 0.5 percent drop during the same period last year) due to steady performance of the mechanical and electrical industries, agrofood industries, building materials, ceramics and glass industries. Production in the textile and apparel, leather, and footwear sectors posted a slight decrease. Tourism revenue increased by 4.5 percent to 1.23 million Tunisian dinar and hotel receipts increased by 1.8 percent over last year.

Foreign trade data showed an increase in exports of goods and services of 10.8 percent and an increase in imports of goods and services of 14.6 percent. At the same time, work remittances transferred by Tunisians abroad grew by 7.8 percent to 593 million Tunisian dinar over the first five months of 2006. These transactions brought the current account deficit to 750 million Tunisian dinar, or 1.9 percent of GDP, over the first six months of 2006. The Executive Board noted that increased energy costs represented more than 60 percent of the deficit.

MONETARY POLICY AND INFLATION

The General Consumer Price Index maintained a steady growth of 0.4 percent in June, resulting in an average rate of inflation of 4.6 percent in the first half of the year, compared with 1.4 percent in 2005. At the monetary level, the M3 aggregate (currency plus demand deposits, savings deposits, and large-denomination time deposits) rose by 6.1 percent in June versus 3.4 percent a year earlier. Due to a tighter monetary policy for the fourth straight month, the Central Bank injected 232 million Tunisian dinar into the money market, up from the 207 million Tunisian dinar injected last month. The money market rate fluctuated in July, bringing the average money market rate to 5.06 percent. The Tunisian Central Bank Executive Board stated that they were aware of the money market rate fluctuations and planned to maintain a steady Central Bank rate. The Board also stated that they plan to watch commodity prices closely, especially crude oil prices, to find out the impact on the economy.

FOREIGN CURRENCY RESERVES AND EXCHANGE RATE POLICY
-- -----

For the first seven months of 2006, the dinar appreciated 2.4 percent against the U.S. dollar and depreciated 3.8 percent against the euro. Foreign currency reserves totaled 8.22 million Tunisian dinar in July 2006, which represents about 163 days of imports, versus 5.35 million Tunisian dinar and 115 days of imports over the same date in 2005. The Central Bank reported that this rise was due to "resources from the opening of the capital of Tunisie Telecom." Excluding these resources, which are the windfall from the sale of 35% of state-owned Tunisie Telecom to Dubai-based telecommunications provider Tecom, the foreign currency would cover 104 days of

imports.

¶3. COMMENT: The preliminary results fall in line with the International Monetary Fund's 2006 Staff Report on Tunisia. The IMF Staff Report indicated that while Tunisia's stable macroeconomic performance was among the best in the region, the country was not reaching its desired goals due to unemployment, high external debt, and weakness in the banking sector. According to reftel and the IMF Staff Report, Tunisian authorities used some of the 2.3 billion dollar proceeds from Tunisie Telecom's privatization to reduce external debt, which was about 68 percent of GDP in 2005. The report further indicated that the external debt/GDP ratio is sensitive to currency fluctuations and that while Tunisia's foreign currency reserves had reached a "comfortable level", they remained lower than many comparable emerging market economies. END COMMENT.
BALLARD